

PX 66

Message

From: Brad Garlinghouse [redacted@ripple.com]
on behalf of Brad Garlinghouse [redacted@ripple.com]> [redacted@ripple.com]
Sent: 4/9/2017 6:34:32 PM
To: Ken Kurson [Ken Kurson <[redacted].com>]; Susan Athey [Susan Athey <[redacted].com>]; Arjan Schutte [Arjan Schutte <[redacted].com>]; Gene Sperling [Gene Sperling <[redacted].gmail.com>]; Chris Larsen [Chris Larsen <[redacted].ripple.com>]
CC: [redacted@ripple.com]; [redacted@ripple.com]>; [redacted@ripple.com]>; Monica Long [Monica Long <[redacted].ripple.com>]
Subject: March (and Q1) Ripple Board update

Ripple board members,

I'm looking forward to seeing everyone on May 11th for our next board meeting. In advance of that - and following our new tradition - I wanted to provide you with an update on our company's performance in March - and Q1.

We ended Q1 with a number of wins but, overall, it was a mixed quarter. As it relates to topline financials, total bookings came in at \$[redacted]M vs. the \$[redacted]M target that we shared in our February Board meeting. Expenses came in better than expected so we ended the quarter with \$[redacted]M of cash, right on our forecast.

Before I dive into some highlights and lowlights, I think we will all agree that the most significant Q1 development came at the end of the quarter in the form of a dramatic spike in XRP price and market activity. As I noted in my more informal note that I sent to a broader list of investors and advisors (without specifics on financial performance and pasted below for your perusal) - it's a game-changer for us on a bunch of levels.

On an operating level, for XRP to serve the purpose of lowering liquidity costs for payments, it needs deep liquidity across fiat currency pairs. Speculative and market trading volume builds that liquidity - they are the catalyst to the XRP flywheel. The recent rally has us moved that flywheel into a much higher gear which puts us in a much stronger position to execute on other projects that continues to fuel the flywheel.

And on a more strategic level, holding ~\$2 billion of XRP (based upon today's price) presents opportunities to think strategically about our capital structure (and funding strategy). We'll spend more time on this at our next board meeting.

Highlights and lowlights for Q1:

- We continued to outperform on XRP sales. We sold \$[redacted]M vs. our target of \$[redacted]M for the quarter. The demand and interest for XRP, particularly from institutional investors, continues to remain strong and outpace our expectations. Nearly all of this outperformance is unrelated to XRP's strong finish to the quarter and early indicators are the interest will be even higher going forward.
- Our Q1 Software & Services forecast was \$[redacted]M and, frustratingly, we came in at \$[redacted]M. As we've discussed at prior board meetings, my diagnosis as to why we missed (again) on our Software & Services forecast is our sales leadership. With our changing of the guard in Q2, I'm confident we have the right leader in place to

forecast accurately and build and manage a high-performing global sales organization. Specific to our Q1 deal pipeline, two large contracts slipped into Q2, driving nearly all of the delta: [REDACTED]... (Which also means we will increase our Q2 forecast. More on that in a moment.)

- Although we ended the quarter exactly on target with our forecasted cash balance of \$[REDACTED]M, we will start Q2 with ~\$[REDACTED]1 more than expected. XRP bookings generally equals cash and we are expecting a wire to come through early this week that is not reflected in our Q1 ending cash balance.
- We hit our other key operating metrics, achieving 3 deployments and signing up 3 demand-side banks. We are making steady progress implementing our software for the banks signed and are bringing "demand" to the table to drive volume.
- We addressed an important objection to sale in Q1 with the completion of the network rulebook. Banks are sold on joining a **network** that delivers faster, more transparent, reliable and lower cost payments. And they want Ripple to provide not just the processing software, but also the rulebook to govern the network and connections to other banks with whom they can transact.

As we enter Q2, the good news is that [REDACTED] our new SVP of Sales, is on board and already driving a number of operational changes that give me a higher level of confidence that we will hit our Q2 target for Software and Services bookings - which we are increasing from \$[REDACTED]m to [REDACTED]m. This will bring our overall Q2 bookings forecast to \$[REDACTED]m versus the \$[REDACTED]m that was in the plan.

I look forward to seeing you all in about five weeks. In the meantime, please don't hesitate to reach out with questions.

Best,
Brad

----- Forwarded message -----

From: Brad Garlinghouse <[REDACTED]@ripple.com>
Date: Fri, Apr 7, 2017 at 9:53 AM
Subject: Ripple's March Investor and Advisor Update
To: Chris Larsen <[REDACTED]@ripple.com>

Good morning everyone!

Our mission at Ripple is to make cross-border payments truly efficient for banks and their customers, and I continue to be astounded by the tenacious work of our global team to make big things happen as we work to make this a reality.

A perfect example of this is the Bank of England's recent announcement that they are conducting a trial with us. This collaboration marks the first instance of a central bank exploring how it can use blockchain technology to improve cross-border payments. Perhaps more importantly, the Bank of England is one of the most influential central banks and a global leader in innovation.

Additional network growth

We continued to see significant momentum in Japan with our joint venture SBI Ripple Asia, where MUFG announced that it is joining Ripple's Global Payments Steering Group (GPSG). In addition to becoming a customer, they will help oversee the maintenance and enhancement of payment transaction rules for commercial use of the Ripple network. This is significant for many reasons, not the least of which is that MUFG is the 3rd largest bank in the world, the largest bank in Japan, and the largest trader of Japanese Yen!

As I reflect on Q1, our biggest learning is banks don't just want the modernization and efficiency gains afforded by our blockchain software package. They want to join a network, complete with rules, governance and connections to other financial institutions. That's why productizing a Ripple network rulebook, the existence of GPSG and new additions to the network like MUFG are so important. We are the only blockchain player on the map with a complete network offering and bank customers going live commercially. While we still have much work ahead of us, I'm incredibly encouraged by the growth of the Ripple network!

As we scale our sales efforts globally, I'm excited to report that [REDACTED] joined us as our new Senior Vice President of Global Sales. In this role, he is leading our direct sales and channel sales teams. John's insights will help us accelerate Ripple adoption among banks, corporates, and other relevant customers. He has over 25 years of experience selling to exactly these customer types.

Stay tuned as we have more exciting news on the hiring front that we'll be announcing this month!

XRP rally

I don't usually address the price of the digital asset XRP, but in light of an intriguing couple of weeks in the XRP markets, I feel compelled to share some thoughts. For starters, XRP is trading at just over \$0.03 this as I write this- which is about 5x where it was a little over two weeks ago. Perhaps more notably (as it directly impacts liquidity and thus the efficiency of XRP as a payments facilitator), we saw a 24-hour period where XRP's trading volume was nearly \$300m. To put it in context, that's more volume than we saw in all of 2016! These are game-changing developments for us as we pursue our strategy to make XRP the most efficient digital asset for payment transactions.

While it's obviously hard to accurately pinpoint what drives any market activity, I wanted to share a few thoughts:

- Bitcoin's (BTC) capacity issues have drawn attention to its limitations as a solution for transactions. BTC's scaling challenges have meant that transaction speed is now about 2 hours (vs. 3.7 seconds with XRP) and transaction costs are nearly \$0.50 (compared to XRP at \$0.00031).

- Couple this with BTC's throughput of only 3.6 transactions per second and you can see very clearly why we believe XRP, which handles 1,000 transactions per second, is a far better technology.
- Investors may also be connecting the dots that bank adoption of Ripple's solution creates the opportunity for us to deepen those customer relationships and engagement by delivering on what Project Xenon (our trial with [REDACTED] and 12 top global banks) demonstrated. While we are still early in our work here - we are confident that we can lower liquidity costs for banks by leveraging XRP as a liquidity solution.

To be clear, we will not let short-term price gyrations be our measure of success - and we expect more of these ups and downs. But we are certainly leveraging the momentum behind XRP given market turmoil with BTC and leaning into XRP's technical superiority and its unique position as the only digital asset with a real business use case - and a real network!

As always, feel free to reach out with your perspectives or questions.

Best,
Brad